GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:379
ANSWERED ON:28.02.2008
LOSSES TO THE OIL COMPANIES
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the public sector oil companies in the country are incurring huge losses;

(b) if so, the details alongwith the reasons therefor;

(c) whether the oil companies have sought compensation from the Government to offset the losses incurred by them; and

(d) if so, the action taken by the Government thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) & (b): The international prices of crude oil and petroleum products have remained high and volatile. In April 2007, the Indian basket was $ 65.5 per barrel, which rose to $ 89.5 per barrel in January 2008 and is currently at its highest level of $ 94.96 per barrel (on 20.2.2008). As India imports about 3/4ths of its crude requirements to service the domestic demand for petroleum products, international oil prices play an important role in domestic pricing. As passing on the entire impact of the steep increase in the oil prices to the consumers would have resulted in hardship to the common man, the retail selling prices of petrol, diesel, PDS Kerosene and domestic LPG have not been increased in tandem with the international oil prices. The Public Sector Oil Marketing Companies (OMCs) are incurring under-recoveries on domestic sale of sensitive petroleum products namely petrol, diesel, PDS kerosene and domestic LPG. The under-recoveries have been mounting every year and are as under:

(Rs. in Crore)

Period	2005-06	2006-07	2007-08 (P)
PDS kerosene	14,384	17,883	19,012
Domestic LPG	10,245	10,701	14,727
Petrol	2,680	2,027	6,980
Diesel	12,284	18,776	31,089
Total	39,593	49,387	71,808

Provisional figures

(c)&(d): To ensure the financial viability of OMCs and to protect the interest of the common man, the Government has adopted the principle of 'equitable burden sharing' between the Government and the oil PSUs. In this context, Government has issued oil bonds, while the upstream oil companies have contributed by offering discounts to OMCs on crude oil and petroleum products. The details are given below:

(Rs. in Crore)

Company	2005-06	2006-07 (Prov.)	Apr-Dec 07
Issue of Oil Bonds	11,500	24,121	11,526.92
Discount from Upstrem Companies	14,000	20507	15,873
Total	25,500	44,628	27,399.92